

Message Text

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TO USDEL SECRETARY PRIORITY

C O N F I D E N T I A L STATE 196179 TOSEC 200148

E.O. 11652: GDS

TAGS: OVIP (MACEACHEN, ALLAN J.), CA

SUBJECT: ACTION MEMORANDUM: VISIT OF MACEACHEN--INCLUSION
OF BORDER T.V. ISSUE ON THE AGENDA (S/S NO.7616934)

FOR THE SECRETARY FROM ARMITAGE

1. THE PROBLEM.

EMBASSY OTTAWA HAS REPORTED (TOSEC 200085) MACEACHEN'S
EXPECTATION THAT THE AGENDA FOR YOUR BILATERAL TALKS
WILL INCLUDE BORDER TELEVISION ISSUES. WE
BELIEVE IT IS IMPORTANT THAT YOU RAISE THESE ISSUES WITH
MACEACHEN; THE PROBLEMS HAVE PROVEN TO BE INTRACTABLE,
CONTENTIOUS AND POTENTIALLY POLITICALLY TROUBLESOME, AND
AFFECTED U.S. INTERESTS WILL BE MOST ANXIOUS FOR YOU TO
DISCUSS THEM WITH MACEACHEN AS YOU DID LAST OCTOBER IN
OTTAWA. WE ARE CONCERNED, HOWEVER, THAT THE CANADIANS MAY
TRY TO USE AN EXCHANGE BETWEEN YOU AND MACEACHEN ON THIS
ISSUE AS A REASON TO CONTINUE TO DELAY SUBSTANTIVE DISCUS-
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SIONS OF THE ISSUES AT THE SENIOR OFFICIAL LEVEL WHICH WE

HAVE BEEN PRESSING FOR SINCE MAY.

AMBASSADOR ENDERS HAS RECOMMENDED THAT HE BE INSTRUCTED TO INFORM THE CANADIANS THAT YOU WILL BE WILLING TO DISCUSS

THE BORDER TELEVISION ISSUE, BUT ONLY IN THE CONTEXT OF A FIRMLY SCHEDULED, TECHNICAL-LEVEL MEETING SOMETIME IN AUGUST AS WE HAVE BEEN SEEKING. WE CONCUR IN THIS RECOMMENDATION.

2. BACKGROUND/ANALYSIS.

THE BORDER TELEVISION ISSUE INVOLVES A TWO-PRONGED EFFORT BY THE CANADIAN GOVERNMENT TO "REPATRIATE" TO CANADA THE ROUGHLY 20 MILLION DOLLARS A YEAR IN ADVERTISING REVENUE FOR TIME U.S. BORDER STATIONS SELL TO CANADIAN ADVERTISERS WHO WISH TO REACH THE CANADIAN MARKET. FIRST, THE GOC INTENDS TO REQUIRE DELETION OF COMMERCIALS FROM U.S. PROGRAMS CARRIED BY CANADIAN CABLE SYSTEMS, AND, SECONDLY, RECENTLY PASSED BUT NOT YET IMPLEMENTED TAX LEGISLATION WOULD DISALLOW BUSINESS EXPENSE TAX DEDUCTIONS FOR ADVERTISING ON FOREIGN (U.S.) STATIONS VIEWABLE IN CANADA. THE U.S. STATIONS HAVE GARNERED WIDE PUBLIC AND CONGRESSIONAL SUPPORT FOR THEIR POSITION THAT CANADIAN POLICY SHOULD BE ABANDONED OR MODIFIED, AND AT AN INITIAL GOVERNMENT-TO-GOVERNMENT MEETING IN JANUARY WHICH FOCUSED ON COMMERCIAL DELETION BUT INCLUDED THE TAX LEGISLATION AS WELL, THE GOC RELUCTANTLY AGREED TO EXPLORE ALTERNATIVE MEANS OF ACHIEVING ITS COMMUNICATIONS POLICY OBJECTIVES. THIS AGREEMENT WAS FOLLOWED BY A SUBMISSION OF ALTERNATIVES TO THE GOC BY THE U.S. INDUSTRY IN MARCH BUT SINCE THAT TIME WE HAVE NOT BEEN ABLE TO GET CANADA TO AGREE TO MEET AGAIN TO DISCUSS THEIR REACTION TO THESE PROPOSALS AND OTHER POSSIBILITIES. DURING THIS PERIOD OF DELAY THE CANADIAN TAX LEGISLATION WAS PASSED. THIS AND OTHER DEVELOPMENTS IN CANADA HAVE LED THE U.S. COMPANIES INCREASINGLY TO FEEL THAT THEY SHOULD NO LONGER HOLD BACK UNILATERAL ACTION (E.G. TRADE ACT COMPLAINTS, FCC PERMISSION TO JAM THEIR OWN SIGNALS, RETALIATORY LEGISLATION) IN THE HOPES OF A NEGOTIATED SETTLEMENT. A LETTER SENT TO YOU LAST WEEK BY

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18 SENATORS URGING IMMEDIATE RESUMPTION OF NEGOTIATIONS, REFLECTS THE INDUSTRY IMPATIENCE AND POTENTIAL FOR DESTRUCTIVE POLITICIZATION OF THE PROBLEM IN THE ABSENCE OF EARLY MOVEMENT.

WE BELIEVE IT IS ESSENTIAL TO HOLD A FOLLOW-UP MEETING AS SOON AS POSSIBLE, AND HAVE STRONGLY PRESSED THE CANADIANS TO MEET AGAIN BEFORE THE END OF AUGUST. AGREEMENT SEEMED

NEAR ON SUCH A MEETING, BUT YOUR INVITATION TO MACEACHEN HAS EVOKED COMMENTS FROM CANADIAN OFFICIALS THAT A NEW DELAY SEEMS CALLED FOR. CANADIAN INTRANSIGENCE SEEMS PARTLY BUREAUCRATIC--THESE ARE DIFFICULT QUESTIONS FOR THEM TO COME TO GRIPS WITH--AND PARTLY TACTICAL--TIME SEEMS TO BE ON THEIR SIDE. OUR OWN INTEREST IS FOR THE

EARLIEST POSSIBLE MEETING TO ADDRESS THE ISSUES BEFORE CANADIAN FLEXIBILITY IS FURTHER RESTRICTED AND ESPECIALLY TO HELP AVOID NEW POLITICIZATION IN THE U.S.

3. RECOMMENDATION.

THAT YOU AUTHORIZE US TO INSTRUCT AMBASSADOR ENDERS TO INFORM THE GOC THAT YOU ARE PREPARED TO DISCUSS THE BORDER T.V. ISSUE, BUT ONLY IN THE CONTEXT OF A FIRMLY SCHEDULED MEETING BETWEEN SENIOR OFFICIALS SOMETIME IN AUGUST.

APPROVE DISAPPROVE

ALTERNATIVELY, THAT YOU AGREE TO DISCUSS THE BORDER T.V. ISSUE WITH MACEACHEN WITHOUT CONDITIONS.

APPROVE DISAPPROVE

4. CLEARANCE:EB HABIB

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